

POWDER RIVER COUNTY, MONTANA

Fiscal Year Ended June 30, 2020

AUDIT REPORT

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

POWDER RIVER COUNTY, MONTANA

Fiscal Year Ended June 30, 2020

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POWDER RIVER COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2020

BOARD OF COUNTY COMMISSIONERS

Lee Randall
Rod Schaffer
Donna Giacometto

Chairperson
Commissioner
Commissioner

COUNTY OFFICIALS

Jeff Noble
Pat Phillippi
Cynde Jo Gatlin
Aletta Shannon
Catherine Landa
Molly Lloyd
Allen E Drane Jr

County Attorney
Treasurer
Clerk and Recorder / Auditor
Clerk of District Clerk
Justice of the Peace
School Superintendent
Sheriff

Powder River County, Montana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended June 30, 2020

This discussion and analysis of Powder River County's financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the county's financial performance as a whole. Reading the narrative in conjunction with the transmittal letter and the County's financial statements should give a complete overview of the activities and financial status of Powder River County.

In 1999 the Governmental Accounting Standards Board (GASB), issued a new accounting standard that essentially revised the form of governmental entities' financial statements. In FY2003, Powder River County implemented the new financial reporting which includes financial comparisons. This MD&A includes financial comparisons for FY 2019 and 2020.

Financial Highlights

Powder River County's assets exceeded its liabilities by \$12,887,476, \$5,524,128 is invested in capital assets, net of related debt.

County liabilities were increased by \$22,511 primarily attributable to the State of Montana pension fund liability.

As of June 30, 2020, Powder River County's governmental funds reported combined ending net position of \$11,602,535.

Using this Financial Report

The management's discussion and analysis are intended to serve as an introduction to Powder River County's financial statements. This annual report consists of financial statements for the County as a whole, with more detailed information for funds reported as "*Major Funds*": *All Purpose Fund, Road Fund, and Oil and Gas Production Fund* which is included with the *All-Purpose Fund* for reporting purposes. Of the *business-type* funds, *Nursing Home Fund, Clinic and Solid Waste Management Fund* are reported as major funds. The financial section of the report contains the following components:

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements
4. Required Supplemental Information
5. Other Supplemental Information

Government-Wide Financial Statements

The government-wide financial statements, described below, are intended to provide readers with a broad overview of Powder River County's finances, and can be found on pages 11 and 12.

The *statement of net position* outlines all of Powder River County's assets and liabilities. The difference is reported as *total net position*. The increase or decrease in net assets, along with other non-financial factors such as change in tax base and legislative action, can serve as a useful indicator of whether the financial position of Powder River County is improving or deteriorating.

Powder River County, Montana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended June 30, 2020

The *statement of activities* presents information showing how Powder River County's net position changed during the most recent fiscal year. Both the statement of net position and the statement of activities use the accrual basis of accounting, similar to the accounting used by most private sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received and paid.

Both of the above government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that recover all of a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities of Powder River County include general government, public safety, public works (road, bridge, weed), public health, social and economic services (aging services), and culture and recreation (library, fair). Business-type activities of Powder River County are the county nursing home, clinic and solid waste management system (landfill).

Fund Financial Statements

The fund financial statements give more detailed information about Powder River County's financial activities. Funds are set up to manage resources that have been segregated for specific activities or objectives. Some funds are required by state law, other funds are established by the County to help manage funding and expenses for specific purposes.

All of the County's funds can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

Governmental Funds

Most of the County's services are reported in governmental funds. The governmental funds statements provide a detailed short-term view to cash, the fund operations, and the basic services it provides.

Proprietary Funds

When the County charges customers for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds

All of the County's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 21-22. Fiduciary activities are excluded from the county's other financial statements because the County cannot use these assets to finance its operations, but is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided.

Powder River County, Montana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended June 30, 2020

Required and Other Supplemental Information

This section provides detailed information concerning revenues, expenditures and changes in fund balances, comparing budget to actual. The supplemental information also includes a schedule of grants, entitlements and shared revenues, and a schedule of cash receipts and disbursements, along with a reconciliation of all of the County's cash.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

A comparison of combined net assets of Powder River County on June 30, 2019 and June 30, 2020 are as follows:

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	FY20	FY19	Change Inc (Dec)	FY20	FY19	Change Inc (Dec)
Current and other assets	\$ 11,528,378	\$ 9,081,764	\$ 2,446,614	\$ 3,079,272	\$ 2,870,896	\$ 208,376
Capital assets	4,058,722	4,385,292	(326,570)	1,653,555	1,742,113	(88,558)
Total assets	\$ 15,587,100	\$ 13,467,056	\$ 2,120,044	\$ 4,732,827	\$ 4,613,009	\$ 119,818
Long-term debt outstanding	\$ 2,512,455	\$ 2,554,283	\$ (41,828)	\$ 2,054,980	\$ 2,201,891	\$ (146,911)
Other liabilities	1,472,110	1,475,736	(3,626)	1,392,906	1,178,030	214,876
Total liabilities	\$ 3,984,565	\$ 4,030,019	\$ (45,454)	\$ 3,447,886	\$ 3,379,921	\$ 67,965
Net investment in capital assets	\$ 3,874,679	\$ 4,103,004	\$ (228,325)	\$ 1,649,449	\$ 1,647,936	\$ 1,513
Restricted	2,393,329	1,618,636	774,693	819,924	775,393	44,531
Unrestricted (deficit)	5,334,527	3,715,397	1,619,130	(1,184,432)	(1,190,241)	5,809
Total net position	\$ 11,602,535	\$ 9,437,037	\$ 2,165,498	\$ 1,284,941	\$ 1,233,088	\$ 51,853

As the reader will note, the largest portion (43%) of Powder River County's net position is its investment in capital assets (land, buildings, equipment, etc.), less any debt used to acquire those assets that is still outstanding. Powder River County uses capital assets to provide services to its citizens. They are not available for future spending.

Changes in Net Positions

Powder River County's program and general revenues for Governmental Activities of \$8,887,600.00 is approximately \$648,642.00 more than 2019, a combination of more property taxes collected, revenue from entitlement payments, and the Oil & Gas Production Fund. The result of increased revenue and increase in expenses to \$1,048,460.00 is a change in net position of \$503,278.00. The purchase of the basic equipment, vehicles, and a physical therapy addition to the nursing home along with normal increases in operating costs reflects the increase in expenses.

Powder River County, Montana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended June 30, 2020

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	FY20	FY19	Change Inc (Dec)	FY20	FY19	Change Inc (Dec)
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 260,292	\$ 234,162	\$ 26,130	\$ 2,211,890	\$ 2,456,982	\$ (245,092)
Operating grants and contributions	779,957	773,873	6,084	162,276	160,105	2,171
Capital grants and contributions	10,588	-	10,588	-	-	-
<i>General revenues (by major source):</i>						
Property taxes for general purposes	2,046,382	2,263,273	(216,891)	504,921	572,111	(67,190)
Licenses and permits	1,626	1,634	(8)	-	-	-
Miscellaneous	124,398	56,992	67,406	2,070	-	2,070
Interest/investment earnings	99,168	168,171	(69,003)	46,497	24,691	21,806
Unrestricted federal/state shared revenues	1,350,941	4,740,853	(3,389,912)	169,834	298,271	(128,437)
Montana oil and gas production tax	4,171,627	-	4,171,627	-	-	-
State contribution to retirement	42,621	-	42,621	40,948	-	40,948
Contributions & donations	-	-	-	-	43,088	(43,088)
Total revenues	\$ 8,887,600	\$ 8,238,958	\$ 648,642	\$ 3,138,436	\$ 3,555,248	\$ (416,812)
Program expenses						
General government	\$ 1,697,314	\$ 1,300,581	\$ 396,733	\$ -	\$ -	\$ -
Public safety	849,754	760,950	88,804	-	-	-
Public works	2,328,624	1,818,603	510,021	-	-	-
Public health	255,132	266,592	(11,460)	-	-	-
Social and economic services	179,448	171,302	8,146	-	-	-
Culture and recreation	283,060	226,515	56,545	-	-	-
Debt service - interest	11,507	13,568	(2,061)	-	-	-
Miscellaneous	41,066	39,334	1,732	-	-	-
Nursing Home	-	-	-	3,454,366	3,542,113	(87,747)
Clinic	-	-	-	442,892	642,162	(199,270)
Solid Waste	-	-	-	220,592	209,966	10,626
Total expenses	\$ 5,645,905	\$ 4,597,445	\$ 1,048,460	\$ 4,117,850	\$ 4,394,241	\$ (276,391)
Excess (deficiency) before special items and transfers	\$ 3,241,695	\$ 3,641,513	\$ (399,818)	\$ (979,414)	\$ (838,993)	\$ (140,421)
Transfers - net	(1,031,267)	(965,866)	(65,401)	1,031,267	965,866	65,401
Increase (decrease) in net position	\$ 2,172,369	\$ 2,675,647	\$ (503,278)	\$ 51,853	\$ 126,873	\$ (75,020)

Powder River County taxpayers contributed \$2,046,382.00 through property taxes to fund the \$5,645,905.00 in expenses. The balance of \$3,599,523.00 was funded by those who directly benefited from the programs and by other governments and organizations that subsidized governmental programs through payment in lieu of taxes, entitlements, and operating grants.

Governmental activities increased the County's net position by \$2,172,369.

Governmental Activities

Powder River County's Governmental Activities for the fiscal year ending June 30, 2020 was \$5,645,905. Below are the financial and percentage differences within the past two years with an increase of \$1,048,460.

Please see page 16, which depicts the sources of revenues for Governmental Activities and categories of expense for Governmental Activities.

Powder River County taxpayers contributed \$2,046,382 of total revenue. Oil and gas production revenue as well as a centrally assessed pipeline contributed significantly to balance.

Powder River County, Montana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended June 30, 2020

Business Type Activities

The cost of all Proprietary (business-type) activities for the year ending June 30, 2020 was \$4,117,850 compared to \$4,394,241 for fiscal year 2019. Revenue utilized by business-type funds was \$3,138,436 compared to \$3,555,248 for fiscal year 2019. Net position increased by \$75,020.

The County Funds

The following is an analysis of balances in the County's Major Funds and other governmental funds:

All-Purpose Fund

The information below compares revenues and expenditures of the All-Purpose Fund for fiscal years 2019 and 2020

All Purpose Fund

The increase in property tax revenue was due to uncertainty of oil and gas revenue to help offset tax liability due to political election pressures.

The increases generally reflect the higher cost for facilities maintenance, equipment replacement and personnel.

Road Fund

A large part of the revenue is derived from Federal P.L. 110-343 funding for Forest Reserve Payments under the Secure Rural Schools Act. However, the US Congress failed to fund this program this fiscal year causing a short fall. The decrease in revenue was covered by Gas Tax and Bridge funds support. Added revenue was transferred from the Oil and Gas fund in the amount of \$1,003,707.00. Entitlement revenue was also added to the Road fund.

DEBT ADMINISTRATION

Debt is considered a liability of governmental activities. The County's debt at the end of FY 2020 for governmental activities was \$374,462.00; business-type activities was \$797,841.00. The landfill closure and post-closure costs are listed as a separate entry of \$595,489. The County also reports \$206,324 for OPEB and \$3,990,621 for Net Pension Liability.

CAPITAL ASSETS

The capital assets of the County are those assets that are used in the performance of the County's functions. FY2019 net capital assets of the governmental activities totaled \$4,385,292.00 and in FY2020 decreased to \$4,058,722.00 a change of \$326,570.00 Depreciation on capital assets is recognized in the Government-Wide financial statements.

Powder River County, Montana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended June 30, 2020

Capital Assets purchased in 2020 are:

Sheriff Office Dispatch Remodel \$73,655
Sheriff Deputy Vehicle \$45,940
Utility Trailer \$24,000
Semi-Truck \$31,500
Blade \$34,000
Weed Trailer \$17,341
Total Purchased \$226,436

ECONOMIC FACTORS AND BUDGETS

The annual budget assures the efficient, effective and economic uses of the County's resources, as well as establishing that projects and objectives are carried out according to prioritized planning. Through the budget, the County Commission sets the direction of the County and allocates its resources.

The following factors were considered in preparing the budget for the 2020 fiscal year.

- Taxable value of the County decreased by 3%. In 2019 it was \$14,378.72 and in 2020 it was \$12,680,080. Taxes remained stable and were not increase for this fiscal year. Powder River County continues to receive centrally assessed revenue from an oil pipeline and pumping station which has raised the taxable value.
- Capital improvement projects including county building maintenance must be continued.
- The employees' county health insurance premiums seen no increase or decrease for FY 2020 which allowed the commission to give small cost of living raises to the employees. Elected Officials were granted a 1% raise in 2020.
- In 2007, the airport was relocated with construction of a new runway, tie down areas and lighting. An automated fuel system provides both AvGas and Jet A fuels through a credit card system. A perimeter wildlife fence was constructed in 2012, along with a pavement maintenance project. As part of the five-year maintenance plan with the FAA, the airport pavement project began with resurfacing and remarking in 2017 and the project was completed in early fiscal year 2018. Airport improvements are made possible by utilizing both FAA funding and State Aeronautics loans and grants.
- The county nursing home continues to rely heavily upon tax dollars and oil and gas proceeds for operating expenses as revenues generated from resident care does not cover expenses. The commission has opted to utilize Oil and Gas revenue, Entitlement funds and Federal Mineral Royalty monies to make up the deficit. This, of course, allocates funds that could be used in other governmental operations. In 2017 an addition was added to the nursing home for physical therapy department and continues provides an extremely important service to residents at the nursing home, as well as to the public. The project was completed this year (2017) with funding coming from tax dollars. A renovation project was also completed with the aid of CDBG dollars and county match and was completed in July, 2018.

Powder River County, Montana
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended June 30, 2020

- The road department had a stable year with no major changes. Additional tax dollars and oil and gas dollars allow the road fund to maintain current levels of operation. The Commission recognizes the importance of having good, all weather, county roads.
- Powder River County took over management of the Powder River Medical Clinic in this fiscal year 2015. In order to substantiate the clinic budget taxes were increased for the fund and \$169,834 was transferred from Entitlement Funds. The Commission recognizes the importance of having a medical facility in our small county and will continue to fund the Clinic.

The County recognizes the importance of keeping an adequate cash reserve. Efforts have been made to increase the reserves to the maximum to insure adequate cash flow in the future. The County is committed to maintaining a long-term Capital Improvements Plan, with a primary function of protecting and replacing infrastructure and equipment.

Powder River County continues to maintain county services at a level necessary to serve its citizens, while keeping individual taxes at a minimum. Because of concerns of lower oil and gas revenues, the commissioners do their best to keep taxes at a minimum. By utilizing revenue from oil and gas production, the commissioners decreased levies in 2011, 2012 and 2013 while maintaining services. In 2014 and 2015, levies were increased slightly in order to provide adequate fund reserves. Fiscal year 2016 taxes decreased due to a raise in taxable value, oil and gas revenue increase, and the promise of SRS funding for the road fund. In 2018 the county had an increase in taxable value but had to raise taxes and use more oil and gas revenue to cover the shortfall from the previous year. Fiscal year 2019 saw taxes remain stable due to the increase in taxable value. The following is the county tax on property valued at \$100,000 for fiscal years beginning 2008 to the present:

FY2008	\$382.75 (includes NH voted levy)
FY2009	\$329.62
FY2010	\$330.06
FY2011	\$301.92
FY2012	\$244.97
FY2013	\$144.97
FY2014	\$153.13
FY2015	\$174.01
FY2016	\$130.03
FY2017	\$184.44
FY2018	\$172.47
FY 2019	\$174.55
FY 2020	\$145.43

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors of Powder River County with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact: *Powder River County Clerk and Recorder, PO Box 200, Broadus, MT 59317* or email cgatlin@prco.mt.gov.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Powder River County
Broadus, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Powder River County, Montana, as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Powder River County, Montana, as of and for the year ended June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2020, the County adopted new accounting guidance, GASB statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 8, and 61 through 66, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2021, on our consideration of Powder River County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Powder River County, Montana's internal control over financial reporting and compliance.

Derrig, Downey and Associates, CPA's, P.C.

June 11, 2021

Powder River County, Montana
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 10,752,463	\$ 1,662,085	\$ 12,414,548
Taxes and assessments receivable, net	55,410	13,595	69,005
Accounts receivable - net	-	221,738	221,738
Due from other governments	141,438	-	141,438
Bonus payable	-	1,463	1,463
Inventories	111,696	18,132	129,828
Total current assets	<u>\$ 11,061,007</u>	<u>\$ 1,917,013</u>	<u>\$ 12,978,020</u>
Noncurrent assets			
Restricted cash and investments	\$ -	\$ 819,924	\$ 819,924
Capital assets - land	206,034	20,264	226,298
Capital assets - depreciable, net	3,852,688	1,633,291	5,485,979
Total noncurrent assets	<u>\$ 4,058,722</u>	<u>\$ 2,473,479</u>	<u>\$ 6,532,201</u>
Total assets	<u>\$ 15,119,729</u>	<u>\$ 4,390,492</u>	<u>\$ 19,510,221</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 467,371	\$ 342,335	\$ 809,706
Total deferred outflows of resources	<u>\$ 467,371</u>	<u>\$ 342,335</u>	<u>\$ 809,706</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 15,587,100</u>	<u>\$ 4,732,827</u>	<u>\$ 20,319,927</u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 706,551	\$ -	\$ 706,551
Accounts payable	71,758	82,414	154,172
Current portion of long-term capital liabilities	51,960	4,106	56,066
Current portion of compensated absences payable	148,998	163,719	312,717
Total current liabilities	<u>\$ 979,267</u>	<u>\$ 250,239</u>	<u>\$ 1,229,506</u>
Noncurrent liabilities			
Landfill closure postclosure liability	\$ -	\$ 595,489	\$ 595,489
Noncurrent portion of OPEB	102,698	103,626	206,324
Noncurrent portion of long-term capital liabilities	132,083	-	132,083
Noncurrent portion of compensated absences	41,421	34,527	75,948
Net pension liability	2,137,993	1,852,628	3,990,621
Total noncurrent liabilities	<u>\$ 2,414,195</u>	<u>\$ 2,586,270</u>	<u>\$ 5,000,465</u>
Total liabilities	<u>\$ 3,393,462</u>	<u>\$ 2,836,509</u>	<u>\$ 6,229,971</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 519,675	\$ 381,117	\$ 900,792
Deferred inflows of resources - other	71,428	230,260	301,688
Total deferred inflows of resources	<u>\$ 591,103</u>	<u>\$ 611,377</u>	<u>\$ 1,202,480</u>
NET POSITION			
Net investment in capital assets	\$ 3,874,679	\$ 1,649,449	\$ 5,524,128
Restricted for debt service	-	819,924	819,924
Restricted for special projects	2,393,329	-	2,393,329
Unrestricted	5,334,527	(1,184,432)	4,150,095
Total net position	<u>\$ 11,602,535</u>	<u>\$ 1,284,941</u>	<u>\$ 12,887,476</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 15,587,100</u>	<u>\$ 4,732,827</u>	<u>\$ 20,319,927</u>

See accompanying Notes to the Financial Statements

Powder River County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2020

Functions/Programs Primary government:	Net (Expenses) Revenues and Changes in Net Position				
	Program Revenues		Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business- type Activities
Governmental activities:					
General government	\$ 1,697,314	\$ 93,329	\$ 42,991	\$ 10,588	\$ -
Public safety	849,754	27,935	270,216	-	(1,550,406)
Public works	2,328,624	83,711	214,352	-	(551,603)
Public health	255,132	36,838	87,460	-	(2,030,561)
Social and economic services	179,448	13,448	161,298	-	(130,834)
Culture and recreation	283,060	5,031	3,640	-	(4,702)
Debt service - interest	11,507	-	-	-	(274,389)
Miscellaneous	41,066	-	-	-	(11,507)
Total governmental activities	\$ 5,645,905	\$ 260,292	\$ 779,957	\$ 10,588	\$ (4,595,068)
Business-type activities:					
Nursing Home	\$ 3,454,366	\$ 1,933,456	\$ 162,276	\$ -	\$ (1,358,634)
Clinic	442,892	125,193	-	-	(317,699)
Solid Waste	220,592	153,241	-	-	(67,351)
Total business-type activities	\$ 4,117,850	\$ 2,211,890	\$ 162,276	\$ -	\$ (1,743,684)
Total primary government	\$ 9,763,755	\$ 2,472,182	\$ 942,233	\$ 10,588	\$ (6,338,752)
General Revenues:					
Property taxes for general purposes		\$	\$	\$	\$ 504,921
Licenses and permits				1,626	1,626
Miscellaneous				124,398	126,468
Interest/investment earnings				99,168	145,665
Unrestricted federal/state shared revenues				1,350,941	1,520,775
Montana oil and gas production tax				4,171,627	4,171,627
State contribution to retirement				42,621	83,569
Gain (loss) on sale of capital assets				(38,059)	(38,059)
Transfers - net				(1,031,267)	-
Total general revenues, special items and transfers				\$ 6,767,437	\$ 8,562,974
Change in net position				\$ 2,172,369	\$ 2,224,222
Net position - beginning				\$ 9,437,037	\$ 10,670,125
Restatements				(6,871)	(6,871)
Net position - beginning - restated				\$ 9,430,166	\$ 10,663,254
Net position - end				\$ 11,602,535	\$ 12,887,476

See accompanying Notes to the Financial Statements

Powder River County, Montana
Balance Sheet
Governmental Funds
June 30, 2020

	<u>General</u>	<u>Road</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Current assets:				
Cash and investments	\$ 8,396,334	\$ 1,454,011	\$ 902,118	\$ 10,752,463
Taxes and assessments receivable, net	11,087	9,271	35,052	55,410
Due from other governments	141,438	-	-	141,438
Inventories	-	13,153	98,543	111,696
TOTAL ASSETS	<u>\$ 8,548,859</u>	<u>\$ 1,476,435</u>	<u>\$ 1,035,713</u>	<u>\$ 11,061,007</u>
LIABILITIES				
Current liabilities:				
Warrants payable	\$ 706,551	\$ -	\$ -	\$ 706,551
Accounts payable	39,194	21,553	11,011	71,758
Total liabilities	<u>\$ 745,745</u>	<u>\$ 21,553</u>	<u>\$ 11,011</u>	<u>\$ 778,309</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - taxes and assessments	\$ 11,087	\$ 9,271	\$ 35,052	\$ 55,410
Deferred inflows of resources - other	-	-	71,428	71,428
Total deferred inflows of resources	<u>\$ 11,087</u>	<u>\$ 9,271</u>	<u>\$ 106,480</u>	<u>\$ 126,838</u>
FUND BALANCES				
Nonspendable	\$ -	\$ 13,153	\$ 98,543	\$ 111,696
Restricted	-	1,432,458	804,852	2,237,310
Committed	-	-	17,691	17,691
Unassigned fund balance	7,792,027	-	(2,864)	7,789,163
Total fund balance	<u>\$ 7,792,027</u>	<u>\$ 1,445,611</u>	<u>\$ 918,222</u>	<u>\$ 10,155,860</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 8,548,859</u>	<u>\$ 1,476,435</u>	<u>\$ 1,035,713</u>	<u>\$ 11,061,007</u>

See accompanying Notes to the Financial Statements

Powder River County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2020

Total fund balances - governmental funds	\$ 10,155,860
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,058,722
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	55,410
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(477,160)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,137,993)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.	467,371
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, there for are not reported in the funds.	(519,675)
Total net position - governmental activities	\$ <u>11,602,535</u>

See accompanying Notes to the Financial Statements

Powder River County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Road	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes and assessments	\$ 976,563	\$ 823,064	\$ 193,601	\$ 1,993,228
Licenses and permits	1,626	-	-	1,626
Intergovernmental	5,356,968	260,955	753,224	6,371,147
Charges for services	153,504	-	70,298	223,802
Fines and forfeitures	34,490	-	-	34,490
Miscellaneous	44,610	33,470	3,046	81,126
Investment earnings	56,834	30,089	12,246	99,169
Total revenues	<u>\$ 6,624,595</u>	<u>\$ 1,147,578</u>	<u>\$ 1,032,415</u>	<u>\$ 8,804,588</u>
EXPENDITURES				
General government	\$ 1,408,285	\$ -	\$ 142,138	\$ 1,550,423
Public safety	628,136	-	152,158	780,294
Public works	162,906	1,389,997	392,832	1,945,735
Public health	123,177	-	131,955	255,132
Social and economic services	172,484	-	2,181	174,665
Culture and recreation	250,408	-	7,621	258,029
Debt service - principal	-	98,245	-	98,245
Debt service - interest	-	11,507	-	11,507
Miscellaneous	41,066	-	-	41,066
Capital outlay	119,597	89,500	17,341	226,438
Total expenditures	<u>\$ 2,906,059</u>	<u>\$ 1,589,249</u>	<u>\$ 846,226</u>	<u>\$ 5,341,534</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 3,718,536</u>	<u>\$ (441,671)</u>	<u>\$ 186,189</u>	<u>\$ 3,463,054</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,022,704	\$ 1,003,707	\$ 11,172	\$ 2,037,583
Transfers out	<u>(3,057,678)</u>	<u>-</u>	<u>(11,172)</u>	<u>(3,068,850)</u>
Total other financing sources (uses)	<u>\$ (2,034,974)</u>	<u>\$ 1,003,707</u>	<u>\$ -</u>	<u>\$ (1,031,267)</u>
Net Change in Fund Balance	<u>\$ 1,683,562</u>	<u>\$ 562,036</u>	<u>\$ 186,189</u>	<u>\$ 2,431,787</u>
Fund balances - beginning	\$ 6,108,465	\$ 883,575	\$ 732,033	\$ 7,724,073
Fund balance - ending	<u>\$ 7,792,027</u>	<u>\$ 1,445,611</u>	<u>\$ 918,222</u>	<u>\$ 10,155,860</u>

See accompanying Notes to the Financial Statements

Powder River County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2020

Amounts reported for *governmental activities* in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	2,431,787
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Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

- Capital assets purchased		226,438
- Depreciation expense		(552,644)

In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:

- Gain on the sale of capital assets		(38,059)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Donated capital assets		39,990
- Long-term receivables (deferred inflows)		38,446
- Assets transferred from proprietary fund		4,576

The change in compensated absences is shown as an expense in the Statement of Activities		(14,442)
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Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:

- Long-term debt principal payments		98,245
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Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Post-employment benefits other than retirement liability		(12,332)
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Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance

(49,636)

Change in net position - Statement of Activities	\$	2,172,369
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See accompanying Notes to the Financial Statements

Powder River County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2020

Business-Type Activities - Enterprise Funds

	<u>Nursing Home</u>	<u>Clinic</u>	<u>Solid Waste</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash and investments	\$ 1,137,765	\$ 343,294	\$ 181,026	\$ 1,662,085
Taxes and assessments receivable, net	5,234	1,074	7,287	13,595
Accounts receivable - net	189,210	32,528	-	221,738
Bonus payable	1,463	-	-	1,463
Inventories	11,126	7,006	-	18,132
Total current assets	<u>\$ 1,344,798</u>	<u>\$ 383,902</u>	<u>\$ 188,313</u>	<u>\$ 1,917,013</u>
Noncurrent assets:				
Restricted cash and investments	\$ -	\$ -	\$ 819,924	\$ 819,924
Capital assets - land	20,264	-	-	20,264
Capital assets - depreciable, net	1,361,748	24,769	246,774	1,633,291
Total noncurrent assets	<u>\$ 1,382,012</u>	<u>\$ 24,769</u>	<u>\$ 1,066,698</u>	<u>\$ 2,473,479</u>
Total assets	<u>\$ 2,726,810</u>	<u>\$ 408,671</u>	<u>\$ 1,255,011</u>	<u>\$ 4,390,492</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pensions	\$ 293,430	\$ 41,919	\$ 6,986	\$ 342,335
Total deferred outflows of resources	<u>\$ 293,430</u>	<u>\$ 41,919</u>	<u>\$ 6,986</u>	<u>\$ 342,335</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,020,240</u>	<u>\$ 450,590</u>	<u>\$ 1,261,997</u>	<u>\$ 4,732,827</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 71,249	\$ 9,661	\$ 1,504	\$ 82,414
Current portion of long-term capital liabilities	4,106	-	-	4,106
Current portion of compensated absences payable	150,636	11,050	2,033	163,719
Total current liabilities	<u>\$ 225,991</u>	<u>\$ 20,711</u>	<u>\$ 3,537</u>	<u>\$ 250,239</u>
Noncurrent liabilities:				
Landfill closure postclosure liability	\$ -	\$ -	\$ 595,489	\$ 595,489
Noncurrent portion of OPEB	89,618	14,008	-	103,626
Noncurrent portion of compensated absences	29,700	3,470	1,357	34,527
Net pension liability	1,587,967	226,852	37,809	1,852,628
Total noncurrent liabilities	<u>\$ 1,707,285</u>	<u>\$ 244,330</u>	<u>\$ 634,655</u>	<u>\$ 2,586,270</u>
Total liabilities	<u>\$ 1,933,276</u>	<u>\$ 265,041</u>	<u>\$ 638,192</u>	<u>\$ 2,836,509</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pensions	\$ 326,672	\$ 46,667	\$ 7,778	\$ 381,117
Deferred inflows of resources - other	77,760	152,500	-	230,260
Total deferred inflows of resources	<u>\$ 404,432</u>	<u>\$ 199,167</u>	<u>\$ 7,778</u>	<u>\$ 611,377</u>
NET POSITION				
Net investment in capital assets	\$ 1,377,906	\$ 24,769	\$ 246,774	\$ 1,649,449
Restricted for debt service	-	-	819,924	819,924
Unrestricted	(695,374)	(38,387)	(450,671)	(1,184,432)
Total net position	<u>\$ 682,532</u>	<u>\$ (13,618)</u>	<u>\$ 616,027</u>	<u>\$ 1,284,941</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSTION	<u>\$ 3,020,240</u>	<u>\$ 450,590</u>	<u>\$ 1,261,997</u>	<u>\$ 4,732,827</u>

See accompanying Notes to the Financial Statements

Powder River County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

Business-Type Activities - Enterprise Funds

	<u>Nursing Home</u>	<u>Clinic</u>	<u>Solid Waste</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services	\$ 1,933,456	\$ 125,193	\$ 153,241	\$ 2,211,890
Miscellaneous revenues	2,070	-	-	2,070
Total operating revenues	<u>\$ 1,935,526</u>	<u>\$ 125,193</u>	<u>\$ 153,241</u>	<u>\$ 2,213,960</u>
OPERATING EXPENSES				
Personal services	\$ 2,373,212	\$ 331,542	\$ 51,273	\$ 2,756,027
Supplies	235,758	36,508	39,096	311,362
Purchased services	534,191	59,349	38,737	632,277
Fixed charges	233,058	7,848	41,410	282,316
Depreciation	70,451	7,645	43,636	121,732
Maintenance, grants, contracts	4,576	-	-	4,576
Landfill market fees	-	-	6,440	6,440
Total operating expenses	<u>\$ 3,451,246</u>	<u>\$ 442,892</u>	<u>\$ 220,592</u>	<u>\$ 4,114,730</u>
Operating income (loss)	<u>\$ (1,515,720)</u>	<u>\$ (317,699)</u>	<u>\$ (67,351)</u>	<u>\$ (1,900,770)</u>
NON-OPERATING REVENUES (EXPENSES)				
Taxes/assessments revenue	\$ 418,070	\$ 86,851	\$ -	\$ 504,921
Intergovernmental revenue	197,375	174,848	835	373,058
Interest revenue	21,923	8,036	16,538	46,497
Debt service interest expense	(3,120)	-	-	(3,120)
Total non-operating revenues (expenses)	<u>\$ 634,248</u>	<u>\$ 269,735</u>	<u>\$ 17,373</u>	<u>\$ 921,356</u>
Income (loss) before contributions and transfers	<u>\$ (881,472)</u>	<u>\$ (47,964)</u>	<u>\$ (49,978)</u>	<u>\$ (979,414)</u>
Transfers in	1,001,267	30,000	-	1,031,267
Change in net position	<u>\$ 119,795</u>	<u>\$ (17,964)</u>	<u>\$ (49,978)</u>	<u>\$ 51,853</u>
Net Position - Beginning of the year	\$ 562,737	\$ 4,346	\$ 666,005	\$ 1,233,088
Net Position - End of the year	<u>\$ 682,532</u>	<u>\$ (13,618)</u>	<u>\$ 616,027</u>	<u>\$ 1,284,941</u>

See accompanying Notes to the Financial Statements

Powder River County, Montana
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2020

	Business - Type Activities - Enterprise Funds			
	Nursing Home	Clinic	Solid Waste	Totals
Cash flows from operating activities:				
Cash received from providing services	\$ 1,943,060	\$ 131,132	\$ 154,259	\$ 2,228,451
Cash received from miscellaneous sources	2,070	-	-	2,070
Cash payments to suppliers	(237,092)	(103,930)	(39,096)	(380,118)
Cash payments for professional services	(771,825)	-	(45,177)	(817,002)
Cash payments to employees	(2,382,926)	(327,415)	(46,959)	(2,757,300)
Net cash provided (used) by operating activities	\$ (1,446,713)	\$ (300,213)	\$ 23,027	\$ (1,723,899)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (37,750)	\$ -	\$ -	\$ (37,750)
Capital asset disposal	4,576	-	-	4,576
Principal paid on debt	(90,071)	-	-	(90,071)
Interest paid on debt	(3,120)	-	-	(3,120)
Net cash provided (used) by capital and related financing activities	\$ (126,365)	\$ -	\$ -	\$ (126,365)
Cash flows from non-capital financing activities:				
Tax levies from the County	\$ 416,453	\$ 86,612	\$ -	\$ 503,065
Transfers from other funds	1,001,267	30,000	-	1,031,267
Cash received from other governments	275,135	327,348	835	603,318
Net cash provided (used) from non-capital financing activities	\$ 1,692,855	\$ 443,960	\$ 835	\$ 2,137,650
Cash flows from investing activities:				
Interest on investments	\$ 21,923	\$ 8,036	\$ 16,538	\$ 46,497
Net cash provided (used) by investing activities	\$ 21,923	\$ 8,036	\$ 16,538	\$ 46,497
Net increase (decrease) in cash and cash equivalents	\$ 141,700	\$ 151,783	\$ 40,400	\$ 333,883
Cash and cash equivalents at beginning	996,065	191,511	960,550	2,148,126
Cash and cash equivalents at end	\$ 1,137,765	\$ 343,294	\$ 1,000,950	\$ 2,482,009
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,515,720)	\$ (317,699)	\$ (67,351)	\$ (1,900,770)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	70,451	7,645	43,636	121,732
Changes in assets and liabilities:				
Accounts receivable	9,604	5,939	1,018	16,561
Inventory	(1,334)	(225)	-	(1,559)
Accounts payable - Accrued payroll	3,889	2,948	37	6,874
Compensated absences	13,366	4,730	1,508	19,604
Bonus payable	(1,463)	-	-	(1,463)
Landfill closure post closure liability	-	-	41,410	41,410
Other post-employment benefits	10,761	1,682	-	12,443
Net pension liability and related deferred inflows and outflows	(36,267)	(5,233)	2,769	(38,731)
Net cash provided (used) by operating activities	\$ (1,446,713)	\$ (300,213)	\$ 23,027	\$ (1,723,899)

See accompanying notes to the financial statements

Powder River County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2020

	<u>Investment Trust Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS			
Cash and short-term investments	\$ 6,031,043	\$ 60,591	\$ 127,501
Taxes receivable	-	-	41,892
Total assets	<u>\$ 6,031,043</u>	<u>\$ 60,591</u>	<u>\$ 169,393</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 30,909
Due to others	-	-	138,484
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,393</u>
NET POSITION			
Assets held in trust	<u>\$ 6,031,043</u>	<u>\$ 60,591</u>	

See accompanying Notes to the Financial Statements

Powder River County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2020

	<u>Investment Trust Funds</u>	<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Contributions to Investment Trust Fund	\$ 2,859,919	\$ -
Contributions	-	69,162
Total contributions	<u>\$ 2,859,919</u>	<u>\$ 69,162</u>
Investment earnings:		
Interest and change in fair value of investments	\$ 55,254	\$ 125
Net investment earnings	<u>\$ 55,254</u>	<u>\$ 125</u>
Total additions	<u>\$ 2,915,173</u>	<u>\$ 69,287</u>
 DEDUCTIONS		
Benefits	\$ -	\$ 53,212
Distributions from investment trust fund	2,014,223	-
Other expenditures	-	4,037
Total deductions	<u>\$ 2,014,223</u>	<u>\$ 57,249</u>
Change in net position	<u>\$ 900,950</u>	<u>\$ 12,038</u>
 Net Position - Beginning of the year	 \$ 5,130,093	 \$ 48,553
Net Position - End of the year	<u><u>\$ 6,031,043</u></u>	<u><u>\$ 60,591</u></u>

See accompanying Notes to the Financial Statements

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

New Accounting Pronouncements

GASB No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, is effective immediately as of May 2020. The statement was implemented in response to the COVID-19 pandemic providing temporary relief to governments in relation to other GASB statements that were to be effective for the fiscal year ending June 30, 2020. That statement postponed the effective dates of implementation for the following GASB Statements; GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, Statement No. 88, *Certain Disclosures Related to Debt*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 90, *Majority Equity Interests*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, and Statement No. 93 *Replacement of Interbank Offered Rates*. In addition, any of the recent implementation guides issued were postponed.

Financial Reporting Entity

In determining the financial reporting entity, the County complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component unit's of which the County appointed a voting majority of the component unit's board; the County is either able to impose its will on the unit or a financial benefit or burden relationship exists. In addition, the County complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the County.

Primary Government

The County is a political subdivision of the State of Montana governed by an elected Board of Commissioners duly elected by the registered voters of the County. The County utilizes the commission form of government. The County is considered a primary government because it is a general-purpose local government. Further, it meets the following criteria; (a) it has a separately elected governing body (b) it is legally separate and (c) it is fiscally independent from the State and other local governments.

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Basis of Presentation, Measurement Focus and Basis of Accounting

Government-wide Financial Statements:

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. They include all funds of the County except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business-type activities.

The Statement of Net Position presents the financial condition of the governmental and business-type activities for the County at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function. The County does not charge indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated.

Measurement Focus and Basis of Accounting

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The County generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Fund Financial Statements

Basis of Presentation

Fund financial statements of the reporting County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements as collection within 60 days of the end of the current fiscal period, except for property taxes and other state grants that are recognized upon receipt.

POWDER RIVER COUNTY, MONTANA
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Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Major Funds:

The County reports the following major governmental funds:

General Fund – This is the County’s primary operating fund and it accounts for all financial resources of the County except those required to be accounted for in other funds.

Road Fund – A special revenue fund to account for resources used to maintain county roads.

Proprietary Funds:

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund’s principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, then unrestricted resources as they are needed.

POWDER RIVER COUNTY, MONTANA
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Major Funds:

The County reports the following major proprietary funds:

Nursing Home Fund – An enterprise fund that accounts for the activities of the County nursing home, Powder River Manor.

Clinic Fund – An enterprise fund that accounts for the activities of the County clinic, Powder River Medical Clinic.

Solid Waste Fund – An enterprise fund that accounts for the activities of the County's solid waste service.

Fiduciary Funds

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net position. The fiduciary funds are:

Investment Trust Funds – To report the external portion of investment pools reported by the sponsoring government.

Private-purpose Trust Funds – To report all other trust arrangements under which the principal and income benefit individuals, private organizations, or other governments.

Agency Funds – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consist of assets held by the County as an agent for individuals, private organizations, other local governmental entities.

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2020, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty Cash	\$ 2,500
Cash in banks:	
Demand deposits	932,046
Savings deposits	20,679
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	12,113,456
U.S. Government Securities	817,192
Repurchase agreements	5,567,734
Total	<u>\$ 19,453,607</u>

Cash equivalents

Cash equivalents are short-term, highly liquid deposits and investments that both readily convertible to known amounts of cash, and have maturities at purchase date of three months or less. The County's cash and cash equivalents (including restricted assets) are considered to be cash on hand, demand, savings U.S. Government Securities, STIP, repurchase agreements, and all other short-term investments with original maturity dates of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the enterprise and internal services funds consider all funds (including restricted assets) held in the County's cash management pool to be cash equivalents.

Fair Value Measurements

Investments, including pooled and non-pooled investments, are reported at fair value, with the following limited exceptions: 1) investments in non-negotiable certificates of deposit are reported at cost and 2) money market investments, including U.S Treasury and Agency obligations, which mature within one year of acquisition, are reported at amortized cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between markets participates at the measurement date. Fair value is determined annually at fiscal year-end and requires use of valuation techniques described below.

POWDER RIVER COUNTY, MONTANA
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The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted account principles. The hierarchy, as follows, is based on the valuation inputs used to measure fair value. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs that include the following:

(a) Level 1 Inputs – Quotes prices in active markets for identical assets; these investments are valued using prices quoted in active markets.

(b) Level 2 Inputs – Significant other observable inputs other than quoted prices included within Level 1; these investments are valued using matrix pricing.

(c) Level 3 Inputs – Significant unobservable inputs, these investments are valued using consensus pricing.

The U.S Government Securities are valued using quoted market prices (Level 1 inputs).

Repurchase Agreements

An agreement in which a governmental entity (buyer-lender) transfers cash to a broker dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for the same securities.

Credit Risk

As a means of limiting exposure to credit risk, the County is required to follow specific state statutes adding security to the deposits and investments. Below are the legal provisions provided in the state Montana Code Annotated (MCA).

Section 7-6-202, MCA, limits investments of public money of a local government in the following eligible securities:

(a) United States government treasury bills, notes and bonds and in the United States treasury obligations, such as state and local government series (SLGLS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;

(b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book entry form with the federal reserve bank of New York; or

(c) Obligations of the following agencies of the United States, subject to the limitations in subsection 2 (not included):

- (i) federal home loan bank;
- (ii) federal national mortgage association;
- (iii) federal home mortgage corporation; and
- (iv) federal farm credit bank.

With the exception of the assets of a local government group self-insurance program, investments may not have a maturity date exceeding 5 years except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Section 7-6-205 and Section 7-6-206, MCA, state that demand deposits may be placed only in banks and public money not necessary for immediate use by a county, city, or town that is not invested as authorized in Section 7-6-202, MCA, may be placed in time or savings deposits with a bank, savings and loan association, or credit union in the state or placed in repurchase agreements as authorized in Section 7-6-213, MCA.

The government has no investment policy that would further limit its investment choices.

The government has no investments that require credit risk disclosure.

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2020, (in thousands):

<u>Security Investment Type</u>	Total Fixed Income Investments at <u>Fair Value</u>	Credit Quality <u>Rating</u>	<u>WAM</u> <u>(Days)</u>
Treasuries	\$ 430,142	A-1+	56
Agency or Government Related	1,182,828	A-1+	52
Corporate:			
Commercial Paper	398,071	A-1+	72
Notes	115,311	A-1+	57
Certificates of Deposit	<u>300,206</u>	A-1	56
Total Investments	\$ <u>2,426,558</u>		

Audited financial statements for the State of Montana's Board of Investments are available at 2401 Colonial Drive 3rd Floor in Helena, Montana.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk other than that required by state statutes. All deposits are carried at cost plus accrued interest. As of June 30, 2020, the government's bank balance was exposed to custodial credit risk as follows:

	June 30, 2020 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 274,211
- Collateral held by the pledging bank's trust department but not in the County's name	769,755
Total deposits and investments	\$ <u><u>1,043,966</u></u>

POWDER RIVER COUNTY, MONTANA
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June 30, 2020

Deposit Security

Section 7-6-207, MCA, states (1) The local governing body may require security only for that portion of the deposits which is not guaranteed or insured according to law and, as to such unguaranteed or uninsured portion, to the extent of:

(a) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or

(b) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

The amount of collateral held for County deposits at June 30, 2020, equaled or exceeded the amount required by State statutes.

Concentration of Credit Risk

The government places no limit on the amount the entity may invest in any one issuer. The government's concentration of credit risk percentages follows for each investment issued that is not issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments:

	<u>% of credit risk</u>
Repurchase agreements	28.62%

Interest Rate Risk

The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but as stated above is limited to investment maturities of 5 years per MCA 7-6-202. The following is a list of individual investments as of June 30, 2020 alone with their related interest rates and maturity dates.

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Investment	Interest Rate	Maturity	Amount
US Treasury Note	1.625%	12/31/2021	\$ 15,359
Federal Farm Credit Banks Funding Corp	2.490%	6/24/2022	15,314
Federal Farm Credit Banks Funding Corp	1.400%	4/14/2022	15,045
Federal Farm Credit Banks Funding Corp	1.700%	9/1/2021	25,010
Federal Home Loan Banks	1.930%	12/1/2021	34,427
Federal Home Loan Banks	2.250%	6/11/2021	15,101
Federal Home Loan Banks	2.640%	3/28/2022	30,707
Federal Home Loan Mortgage Corp	2.000%	1/26/2022	55,330
Federal Home Loan Mortgage Corp	2.000%	7/27/2022	54,206
Federal National Mortgage Assoc	1.250%	1/27/2021	24,399
Federal National Mortgage Assoc	2.000%	2/17/2022	5,143
Freddie Mac	1.625%	9/29/2020	15,945
Federal Home Loan Mortgage Corp	0.350%	12/29/2022	8,005
Federal Home Loan Mortgage Corp	0.500%	6/3/2024	50,959
Federal Agricultural Mortgage Corp	1.350%	2/27/2023	20,470
Federal Farm Credit Banks Funding Corp	1.400%	4/14/2022	30,091
Federal Farm Credit Banks Funding Corp	1.700%	9/1/2021	25,010
Federal Farm Credit Banks Funding Corp	1.820%	4/29/2022	20,088
Federal Farm Credit Banks Funding Corp	1.875%	1/15/2021	20,130
Federal Farm Credit Banks Funding Corp	1.900%	1/24/2022	39,428
Federal home Loan Banks	2.000%	9/9/2022	55,672
Federal home Loan Banks	2.250%	6/11/2021	20,134
Federal home Loan Banks	2.250%	3/11/2022	39,680
Federal home Loan Banks	2.375%	6/10/2022	34,838
Federal home Loan Banks	2.640%	3/28/2022	30,707
Federal National Mortgage Assoc.	1.400%	8/25/2021	39,063
Freddie Mac	1.625%	9/29/2020	20,928
Federal Farm Credit Banks Funding Corp	0.680%	6/10/2025	50,000
Federal Home Loan Mortgage Corp	0.350%	12/29/2022	6,003
STIP - Pooled	0.540%	N/A	12,113,456
Stockman #0228 Repo - Pooled	0.300%	N/A	934,029
Stockman #00198 Repo - Schools	0.300%	N/A	4,559,333
Stockman #0252 Repo - 911 Fund (2850)	0.150%	N/A	74,372
Total			<u>\$ 18,498,382</u>

Cash and Investment Pool

The government maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and investments." In addition, investments are separately held by several of the government's funds. The deposits and investments of the Solid Waste Fund, Broadus Public Schools and 911 Emergency Fund are held separately from those of other government funds.

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Investment in the Treasurer's Pools

The County Treasurer invests on behalf of most funds of the County and external participants in accordance with the County's investment policy and Montana law. The County's pools are managed by the County Treasurer. The external portion of the County's investment pools are accounted for as investment trust funds. There are two types of investment trust funds reported by the County, pooled and individually directed investment trust funds.

The County has two pooled investment trust funds, one is invested in STIP and the other is invested in repurchase agreements. The County invests funds for external entities. These investments are reported in an individually directed investment trust fund as described above.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2020 to support the value of the shares in the pool. As stated previously, the fair value of the investments is determined annually following the fair value measurement hierarchy. The condensed statement below is measured at fair value at fiscal year ended June 30, 2020.

As noted above state statutes limit the type of investments but provide no other regulatory oversight, and the pool is not registered with the Securities and Exchange Commission.

Investment Income

Income from pooled investments is allocated to the individual funds or external participants based on the fund or participant's month end cash balance in relation to total pooled investments.

Condensed statements of investments pools

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of June 30, 2020.

Statement of Net Position

Net position held in trust for all pool participants:

Equity of internal pool participants	\$ 11,591,220
Equity of external pool participants	6,031,043
Total equity	<u>\$ 17,622,263</u>

Condensed Statement of Changes in Net Position

	External	Internal
Investment earnings	\$ 55,254	\$ 163,199
Contributions to trust	2,859,919	8,022,048
Distributions paid	(2,014,223)	(5,108,227)
Net change in net position	\$ 900,950	\$ 3,077,020
Net position at beginning of year	5,130,093	8,514,200
Net position at end of year	<u>\$ 6,031,043</u>	<u>\$ 11,591,220</u>

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the County as of June 30, 2020. These amounts are reported within the cash/investment account on the Statement of Net Position.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Solid Waste	Landfill Closure and Postclosure	\$ <u>819,924</u>

NOTE 4. RECEIVABLES

Tax Receivables

Property tax levies are set in August, after the County Assessor delivers the taxable valuation information to the County, in connection with the budget process and are based on taxable values listed as of January 1 for all property located in the Entity. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, they become delinquent (and a lien upon the property). After three years, the County may exercise the lien and take title to the property. Special assessments are either billed in one installment due November 30 or two equal installments due November 30 and the following May 31. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally in May or June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are billed in two halves, the first due thirty days after billing; the second due September 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

NOTE 5. INVENTORIES

The costs of inventories are recorded as an expenditure when consumed.

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 6. CAPITAL ASSETS

The County's assets are capitalized at historical cost or estimated historical cost. County policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	50 years
Building improvements	10 – 50 years
Public domain infrastructure	10 – 50 years
Vehicles	6 years
Equipment other than vehicles	12 years
Office equipment	5 years
Computer equipment	5 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the County has included the value of all infrastructure into the 2020 Basic Financial Statements.

A summary of changes in governmental capital assets was as follows:

Governmental activities:

	Balance July 1, 2019	Additions	Disposals	Restatements	Transfer	Balance June 30, 2020
Capital assets not being depreciated:						
Land	\$ 206,034	\$ -	\$ -	\$ -	\$ -	\$ 206,034
Total capital assets not being depreciated	\$ 206,034	\$ -	\$ -	\$ -	\$ -	\$ 206,034
Other capital assets:						
Buildings	\$ 4,360,408	\$ 73,656	\$ -	\$ -	\$ -	\$ 4,434,064
Improvements other than buildings	1,167,113	-	-	-	-	1,167,113
Machinery and equipment	5,760,749	192,772	(295,730)	-	10,557	5,668,348
Infrastructure	4,083,011	-	-	-	-	4,083,011
Total other capital assets at historical cost	\$ 15,371,281	\$ 266,428	\$ (295,730)	\$ -	\$ 10,557	\$ 15,352,536
Less: accumulated depreciation	(11,192,023)	(552,644)	257,671	(6,871)	(5,981)	(11,499,848)
Total	\$ 4,385,292	\$ (286,216)	\$ (38,059)	\$ (6,871)	\$ 4,576	\$ 4,058,722

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 69,426
Public safety	69,460
Public works	382,888
Social and economic services	4,783
Culture and recreation	26,087
Total governmental activities depreciation expense	\$ 552,644

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

A summary of changes in business-type capital assets was as follows:

Business-type activities:

	Balance <u>July 1, 2019</u>	<u>Additions</u>	<u>Transfer</u>	Balance <u>June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 20,264	\$ -	\$ -	\$ 20,264
Total capital assets not being depreciated	\$ 20,264	\$ -	\$ -	\$ 20,264
Other capital assets:				
Buildings	\$ 3,016,879	\$ 37,750	\$ -	\$ 3,054,629
Improvements other than buildings	75,477	-	-	75,477
Machinery and equipment	397,393	-	(10,558)	386,835
Infrastructure	691,303	-	-	691,303
Total other capital assets at historical cost	\$ 4,181,052	\$ 37,750	\$ (10,558)	\$ 4,208,244
Less: accumulated depreciation	(2,459,203)	(121,732)	5,982	(2,574,953)
Total	\$ <u>1,742,113</u>	\$ <u>(83,982)</u>	\$ <u>(4,576)</u>	\$ <u>1,653,555</u>

NOTE 7. LONG TERM DEBT OBLIGATIONS

In the governmental-wide, and proprietary financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2020, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2020</u>	Due Within <u>One Year</u>
Compensated absences	\$ 175,977	\$ 14,442	\$ -	\$ 190,419	\$ 148,998
Intercap loans	238,377	-	(54,334)	184,043	51,960
Capital leases	43,911	-	(43,911)	-	-
Total	\$ <u>458,265</u>	\$ <u>14,442</u>	\$ <u>(98,245)</u>	\$ <u>374,462</u>	\$ <u>200,958</u>

In prior years the general fund was used to liquidate compensated absences and claims and judgments.

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Business-type Activities:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Compensated absences	\$ 178,642	\$ 19,604	\$ -	\$ 198,246	\$ 163,719
Intercap loans	94,177	-	(90,071)	4,106	4,106
Landfill	554,079	41,410	-	595,489	-
Total	<u>\$ 826,898</u>	<u>\$ 61,014</u>	<u>\$ (90,071)</u>	<u>\$ 797,841</u>	<u>\$ 167,825</u>

Intercap Loans

Intercap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16th of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

Intercap loans outstanding as of June 30, 2020, were as follows:

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Balance June 30, 2020
Crusher #1 (1)	8/23/13	1.00%-3.37%	10 yrs	8/15/23	\$ 509,532	\$ 184,043
Nursing Home #1 (2)	5/26/17	2.50%- 3.37	15 yrs	8/15/32	101,274	4,106
Total					<u>\$ 610,806</u>	<u>\$ 188,149</u>

(1) Reported in the governmental activities.

(2) Reported in business-type activities.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2021	\$ 56,066	\$ 5,838
2022	52,482	4,010
2023	53,008	2,237
2024	26,593	448
Total	<u>\$ 188,149</u>	<u>\$ 12,533</u>

Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the County's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from County service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but the excess cannot be carried forward more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability associated with governmental fund-type employees is reported in the governmental activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities/respective proprietary fund.

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan provides for, as required by section 2-18-704, MCA, employees with at least 5 years of service and who are at least age 50, along with surviving spouses and dependents, to stay on the government's health care plan as long as they pay the same premium. This creates a defined benefit Other Post-Employment Benefits Plan (OPEB); since retirees are usually older than the average age of the plan participants, they receive a benefit of lower insurance rates. The OPEB plan is a single-employer defined benefit plan administered by the County. The government has not created a trust to accumulate assets to assist in covering the defined benefit plan costs, and covers these when they come due. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

Benefits Provided. The government provides healthcare insurance benefits for retirees and their dependents upon reaching the age and service years defined in section 2-18-704, MCA. The benefit terms require that eligible retirees cover 100 percent of the health insurance premiums, but may pay the same premiums as the other members in the group health plan.

Employees covered by benefit terms. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	2
Active employees	84
Total employees	<u>86</u>

Total OPEB Liability

The County's total OPEB liability of \$206,324 at June 30, 2020, was determined by using the alternative measurement method. The measurement date of the determined liability was June 30, 2019, with a rollforward measurement to the current fiscal year.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2019 alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	2.59%
Average salary increase (Consumer Price Index)	3.20%

POWDER RIVER COUNTY, MONTANA
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June 30, 2020

Health care cost rate trend (Federal Office of the Actuary)

<u>Year</u>	<u>% Increase</u>
2019	4.80%
2020	5.40%
2021	5.60%
2022	5.80%
2023	5.90%
2024	5.90%
2025	5.90%
2026	5.70%
2027	5.50%
2028	5.50%
2029 and after	5.50%

The discount rate was based on the 20-year General obligation (GO) bond index.

Life expectancy of employees was based on the United States Life Tables, 2017 for Males: Table 2 and Females: Table 3 as published in the National Vital Statistics Reports, Vol. 68, No. 7, June 24, 2019.

The turnover rates were determined from the periodic experience studies of the Montana public retirement systems for the covered groups as documented in the GASB 68 actuarial valuations.

Changes in the Total OPEB Liability

Balance at 6/30/2019	\$ <u>181,532</u>
Changes for the year:	
Change in assumptions	\$ <u>24,792</u>
Net Changes	\$ <u>24,792</u>
Balance at 6/30/2020	\$ <u><u>206,324</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following summarizes the total OPEB liability reported, and how that liability would change if the discount rate used to calculate the OPEB liability were to decrease or increase 1%:

	1% Decrease (1.59%)	Discount Rate (2.59%)	1% Increase (3.59%)
Total OPEB Liability	\$ 205,385	\$ 181,532	\$ 162,127

POWDER RIVER COUNTY, MONTANA
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Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following summarizes the total OPEB liability reported, and how that liability would change if the healthcare trend rates used in projecting the benefit payments were to decrease or increase 1%:

	1%	Healthcare	1%
	Decrease	Cost Trends*	Increase
Total OPEB Liability	\$ 157,304	\$ 181,532	\$ 211,774

**Reference the assumptions footnotes to determine the healthcare cost trends used to calculate the OPEB liability.*

In fiscal year ending June 30, 2020, the above sensitivity analysis does not reflect the change to the total OPEB liability. The total OPEB liability in the analysis is based on the June 30, 2019 calculated liability per valuation completed on July 1, 2018.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the County recognized an OPEB expense of \$24,773. The County does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since County records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan trust.

NOTE 9. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal laws and regulations require that Powder River County place a final cover on its landfill when it stops accepting waste and perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the landfill reports a portion of these closure and postclosure care costs as an operating expense each period. The costs expensed during a period are based on landfill capacity used as of each balance sheet date. The \$595,489 reported as landfill closure and postclosure liability at June 30, 2020, represents the cumulative amount reported to date based on the use of 40.63% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,393,340 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure in 2020. Actual costs may be different due to inflation, deflation, technology, or changes in applicable laws or regulation. The County expects to close the landfill in the year 2034, therefore there are 14 years remaining of useful life. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

POWDER RIVER COUNTY, MONTANA
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The County is required by State and Federal laws and regulations to demonstrate financial assurance for the costs of closure and postclosure care costs. For the fiscal year ended June 30, 2020, Powder River County demonstrated its ability to handle closure and postclosure care costs by depositing in the state trust fund. The trust fund cash balance was \$819,924.

NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2020:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating	General – Major Governmental	State Allocated Federal Mineral – Major Governmental *	\$ 201,970
Operating	Nursing Home – Major Business-Type	State Allocated Federal Mineral – Major Governmental *	66,016
Operating	Clinic – Major Business-Type	State Allocated Federal Mineral – Major Governmental *	30,000
Operating	Road– Major Governmental	Oil and Gas – Major Governmental *	1,003,707
Operating	Nursing Home – Major Business-Type	Oil and Gas – Major Governmental *	935,251
Operating	General– Major Governmental	Oil and Gas – Major Governmental *	820,734
Future capital improvements	Junk Vehicle Capital Improvement – Nonmajor Governmental	Junk Vehicle – Nonmajor Governmental	11,172
			<u>\$ 3,068,850</u>

*Reported with General fund in accordance with GASB 54

NOTE 11. NET PENSION LIABILITY (NPL)

As of June 30, 2020, the County reported the following balances as its proportionate share of PERS and SRS pension amounts:

County's Proportionate Share Associated With:

	<u>PERS</u>	<u>SRS</u>	<u>Pension Totals</u>
Net Pension Liability	\$ 3,780,873	\$ 209,748	\$ 3,990,621
Deferred outflows of resources*	\$ 698,645	\$ 111,062	\$ 809,707
Deferred inflows of resources	\$ 777,791	\$ 123,002	\$ 900,793
Pension expense	\$ 111,537	\$ 17,064	\$ 128,601

POWDER RIVER COUNTY, MONTANA
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*Deferred outflows for PERS and SRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$313,013 and \$27,841, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Total deferred inflows and outflows in the remainder of the note are as of the measurement date of June 30, 2020.

The following are the detailed disclosures for each retirement plan as required by GASB 68.

Public Employee's Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies

The County's employees participate in the Public Employees Retirement System (PERS) administered by the Montana Public Employee Retirement Administration (MPERA). MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to, or Deductions from, Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Plan Descriptions

The PERS-Defined Benefit Retirement Plan (PERS) administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the defined contribution retirement plan (PERS-DCRP) by filing an irrevocable election. Members may not be participants of both the *defined contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP. All new members from the universities also have third option to join the university system's Montana University System Retirement Program (MUS-RP).

POWDER RIVER COUNTY, MONTANA
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The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

Summary of Benefits

Service retirement:

- Hired prior to July 1, 2011:
 - Age 60, 5 years of membership service;
 - Age 65, regardless of membership service; or
 - Any age, 30 years of membership service.
- Hired on or after July 1, 2011:
 - Age 65, 5 years of membership service;
 - Age 70, regardless of membership service.

Early Retirement (actuarially reduced):

- Hired prior to July 1, 2011:
 - Age 50, 5 years of membership service; or
 - Any age, 25 years of membership service.
- Hired on or after July 1, 2011:
 - Age 55, 5 years of membership service.

Second Retirement (requires returning to PERS-covered employer or PERS service):

1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

- a. A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
- b. No service credit for second employment;
- c. Start the same benefit amount the month following termination; and
- d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:

- a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
- b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:

- a. The same retirement as prior to the return to service;
- b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

POWDER RIVER COUNTY, MONTANA
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Vesting

- 5 years of membership service

Member's highest average compensation (HAC)

- Hired prior to July 1, 2011- highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011-highest average compensation during any consecutive 60 months;

Compensation Cap

- Hired on or after July 1, 2013-110% annual cap on compensation considered as a part of a member's highest average compensation.

Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

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Contributions

The state Legislature has the authority to establish and amend contributions rates. Member and employer contribution rates are specified by Montana Statute and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers

Special Funding: The state of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employers who received special funding are all participating employers

Not Special Funding: Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are not accounted for as special funding state agencies and universities but are reported as employer contributions.

Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		State & Universities	Local Government		School Districts	
	Hired < 07/01/11	Hired > 07/01/11	Employer	Employer	State	Employer	State
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012 – 2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010 – 2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008 – 2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000 - 2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

1. Rates are specified by state law and are a percentage of the member's compensation.
 - a. Contributions are deducted from each member's salary and remitted by participating employers;
 - b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
 - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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3. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
4. Non-Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - iii. The State contributed a statutory appropriation from its General Fund of \$33,454,182.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2019, was determined by taking the results of the June 30, 2018, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2020, and 2019, are displayed below. The County proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The County recorded a liability of \$3,780,873 and the County's proportionate share was 0.180876 percent.

POWDER RIVER COUNTY, MONTANA
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	Net Pension Liability as of 6/30/2020	Net Pension Liability as of 6/30/2019	Percent of Collective NPL as of 6/30/2020	Percent of Collective NPL as of 6/30/2019	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 3,780,873	\$ 3,829,926	0.180876%	0.183501%	-0.002625%
State of Montana Proportionate Share associated with Employer	1,230,944	1,281,800	0.058888%	0.061414%	-0.002526%
Total	<u>\$ 5,011,817</u>	<u>\$ 5,111,726</u>	<u>0.239764%</u>	<u>0.244915%</u>	<u>-0.005151%</u>

Changes in actuarial assumptions and methods:

There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms:

There were no changes in benefit terms since the previous measurement date

Changes in proportionate share:

Between the measurement date of the collective NPL and the employer's reporting date there were some changes in proportion that may have an effect on the employer's proportionate share of the collective NPL.

Pension Expense:

At June 30, 2020, the County recognized a Pension Expense of \$308,936 for its proportionate share of the pension expense. The County also recognized grant revenue of \$3,123 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the County. Additionally, the County recognized grant revenue of \$80,445 from the State Statutory Appropriation from the General Fund.

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

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	Pension Expense as of 6/30/20	Pension Expense as of 6/30/19
Employer Proportionate Share	\$ 308,936	\$ 322,124
Employer Grant Revenue - State of Montana Proportionate Share for employer	3,123	85,546
State of Montana Proportionate Share associated with the Employer	80,445	-
Total	<u>\$ 392,504</u>	<u>\$ 407,670</u>

Recognition of Beginning Deferred Outflow

At June 30, 2020, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2019 contributions of \$288,727.

Recognition of Deferred Inflows and Outflows:

At June 30, 2020, the County reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 179,280	\$ 177,905
Actual vs. Expected Investment Earnings	45,842	-
Changes in Assumptions	160,510	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	599,885
Employer contributions subsequent to the measurement date - FY20	313,013	-
Total	<u>\$ 698,645</u>	<u>\$ 777,790</u>

POWDER RIVER COUNTY, MONTANA
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*Amounts reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2020	\$ (76,202)
2021	\$ (374,153)
2022	\$ 17,053
2023	\$ 41,143
Thereafter	\$ -

Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 6.3%
- Postretirement Benefit Increase Below:

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2014
- Member hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

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The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption. Including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized in the table below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	<u>8.00%</u>	5.65%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
\$ 5,432,038	\$ 3,780,873	\$ 2,393,278

POWDER RIVER COUNTY, MONTANA
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In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

PERS Disclosure for the defined contribution plan

Powder River County contributed to the state of Montana Public employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans.

Member and employer contributions rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The state Legislature has the authority to establish and amend contribution rates.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2018, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 316 employers that have participants in the PERS-DCRP totaled \$746,144.

Pension plan fiduciary net position: The stand-alone financial statements (76d) of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or both are available on the MPERA website at <http://mpera.mt.gov/index.shtml>.

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Sheriff's Retirement System

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (MPERA) prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and, Additions to or Deductions from Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Plan Descriptions

The Sheriffs' Retirement System (SRS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature.

The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service.

Summary of Benefits

Service retirement:

- 20 years of membership service.
- 2.5% of HAC x years of service credit.

Early retirement:

- Age 50 with 5 years of membership service.
- This benefit calculated using HAC and service credit at early retirement, and reduced to the actuarial equivalent commencing at the earliest of age 60 or the attainment of 20 years of service credit.

POWDER RIVER COUNTY, MONTANA
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Second Retirement:

Applies to retirement system members re-employed in an SRS position on or after July 1, 2017:

- 1) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - a. Is not awarded service credit for the period of reemployment;
 - b. Is refunded the accumulated contributions associated with the period of reemployment;
 - c. Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- 2) If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - a. Is awarded service credit for the period of reemployment;
 - b. Starting the first month following termination of service, receives:
 - i. The same retirement benefit previously paid to the member, and
 - ii. A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - i. On the initial retirement benefit in January immediately following second retirement, and
 - ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- 3) A member who returns to covered service is not eligible for a disability benefit.

Vesting

5 years of membership service

Member's compensation period used in benefit calculation

- HAC = Highest Average Compensation
- Hired prior to July 1, 2011: HAC is average of the highest 36 consecutive months of compensation paid to member.
- Hired on or after July 1, 2011: HAC is average of the highest 60 consecutive months of compensation paid to member.

Compensation Cap

- Hired on or after July 1, 2013: 110% annual cap on compensation considered as a part of a member's HAC.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to:

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Contributions

Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The State Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are shown in the table below.

<u>Fiscal Year</u>	<u>Member</u>	<u>Employer</u>
2018-2020	10.495%	13.115%
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.245%	9.535%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2019, was determined by taking the results of the June 30, 2018, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the County's and the state of Montana's NPL for June 30, 2020, and 2019, are displayed below. The County proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The County recorded a liability of \$209,748 and the County's proportionate share was 0.2515 percent.

	<u>Net Pension Liability as of 6/30/2020</u>	<u>Net Pension Liability as of 6/30/2019</u>	<u>Percent of Collective NPL as of 6/30/2020</u>	<u>Percent of Collective NPL as of 6/30/2019</u>	<u>Change in Percent of Collective NPL</u>
Employer Proportionate Share	\$ 209,748	\$ 195,164	0.05150%	0.2596%	-0.0081%
Total	<u>\$ 209,748</u>	<u>\$ 195,164</u>	<u>0.0515%</u>	<u>0.2596%</u>	<u>-0.0081%</u>

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Changes in actuarial assumptions and methods:

There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms:

There were no changes in benefit terms since the previous measurement date

Changes in proportionate share:

Between the measurement date of the collective NPL and the employer's reporting date there were some changes in proportion that may have an effect on the employer's proportionate share of the collective NPL.

Pension Expense:

At June 30, 2020, the County recognized a Pension Expense of \$10,886 for its proportionate share of the pension expense.

Pension Expense as of 6/30/20	Pension Expense as of 6/30/19
\$ 10,886	\$ (5,001)
\$ 10,886	\$ (5,001)

Recognition of Beginning Deferred Outflow

At June 30, 2020, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2019 contributions of \$26,480.

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Recognition of Deferred Inflows and Outflows:

At June 30, 2020, the County reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 13,510	\$ 254
Actual vs. Expected Investment Earnings	4,054	-
Changes in Assumptions	65,657	113,252
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	9,496
Employer contributions subsequent to the measurement date - FY20	27,841	-
Total	<u>\$ 111,062</u>	<u>\$ 123,002</u>

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2020	\$ (16,128)
2021	\$ (24,784)
2022	\$ (2,170)
2023	\$ 3,302
Thereafter	\$ -

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.23%
- General Wage Growth* 3.50%
 *includes Inflation at 2.75%
- Merit Increases 0% to 6.3%
- Postretirement Benefit Increases

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2014
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Mortality Tables with no projections.

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a reported dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption. Including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflations) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019, are summarized in the table below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
Total	100%	

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Discount Rate

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2118. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
\$ 372,137	\$ 209,748	\$ 76,638

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

NOTE 12. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

Governmental Fund equity is classified as fund balance. The County categorizes fund balance of the governmental funds into the following categories:

Non-spendable – Includes resources not in spendable form, such as inventory, or those legally required to be maintained intact, such as principal portion of permanent funds.

Restricted – includes constraint for specific purposes which are externally imposed by a third party, State Constitution, or enabling legislation.

Committed – includes constraint for specific purposes which are internally imposed by the formal action of the board. This is the government's highest level of decision-making authority, Commissioners, and a formal action is required to establish, modify, or rescind the fund balance commitment.

Unassigned – includes negative fund balances in all funds, or fund balance with no constraints in the General Fund.

The County considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The County considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Nonspendable Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
Road	\$ 13,153	Inventory
All Other Aggregate	<u>98,543</u>	Inventory
Total	\$ <u>111,696</u>	

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 1,432,458	Road repair, maintenance and supplies
All Other Aggregate	106,266	General Government administration and services
	157,832	Law Enforcement, emergency services, and supplies
	230,157	Road Repair, maintenance and supplies
	21,878	Public Health Services and Supplies
	154,036	Noxious Weed Management
	49,298	Animal Control
	23,002	Social and Economic Services and travel
	2,281	Culture and recreation
	<u>60,102</u>	Airport maintenance and repairs
Total	\$ <u>2,237,310</u>	

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	\$ <u>17,691</u>	Construction and/or capital asset purchases

NOTE 13. RESTATEMENTS

During the current fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Governmental	\$ <u>(6,871)</u>	Capital asset accumulated depreciation adjustment from prior years

NOTE 14. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

Law Enforcement Services

The County participated in a law enforcement service agreement with the Town of Broadus for the fiscal year ended June 30, 2020. Powder River County was paid \$21,000 from the Town of Broadus for providing law enforcement to the Town.

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 15. SERVICES PROVIDED TO OTHER GOVERNMENTS

Powder River County provides various financial services to other governmental entities located within the County. The County serves as the billing agent, cashier and treasurer for tax and assessment collections for various taxing jurisdictions. The County also serves as a bank for such agencies as school districts, irrigation districts, rural fire districts, and other special purpose districts. The funds collected and held by the County for other entities are accounted for in agency funds. Funds collected for incorporated cities and towns are periodically remitted to those entities by the County Treasurer. The County has not recorded any service charges for the services it provides other governmental entities.

NOTE 16. RISK MANAGEMENT

The County faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Property and Casualty Insurance

The County is part of a public entity risk pool called the Montana Association of Counties Property and Casualty Trust (MACo PCT). The MACo PCT pool is a group self-insurance program that offers a package concept combining multiple lines of coverages designed to meet the coverage and service needs for Montana Counties and Special Districts. Liability coverages are provided for at \$750,000/claim and \$1,500,000/occurrence.

PCT Coverage Includes:

- Public officials' errors and omissions
- Employment practices including legal advice on employment issues
- Law enforcement liability
- Auto liability
- General liability
- Defense only coverage for subdivisions approval and denials
- Property
- Faithful performance of duty
- Boiler and Machinery
- Fidelity and Crime
- Professional liability

Workers Compensation Insurance

The County is part of a public entity self-insured risk sharing pool that provides statutorily mandated workers' compensation called the Montana Association of Counties Workers' Compensation Trust (MACo WCT). Coverage is proved to member counties to protect member employees from on-the-job injuries and occupational diseases.

POWDER RIVER COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Health Care Insurance

The County is part of a public entity risk sharing pool that provides group health benefits for Montana Counties called the Montana Association of Counties Health Care Trust (MACo HCT). The plan provides medical, pharmacy, Vision and Dental benefits.

NOTE 17. SUBSEQUENT EVENTS

The County received a donation of \$823,632 for the Nursing Home and established fund 2386 with Resolution 2020-30 to account for the restricted donation.

The Moorhead Bridge Project budget was established of \$705, 255 for professional services with \$148,869 expended to date. An additional was budgeted of \$1,438,855 for the bridge renovation infrastructure with nothing expended to date.

In March 2020, Congress passed the CARES Act, which included \$150 billion for local governments. The State of Montana received an allocation of \$1.25 billion. The State then passed a portion of these fund through to the local governments on a reimbursement basis for direct costs associated with COVID-19. As of the date of the audit, Powder River County had received \$1,027,307. This included the \$40,956 that pertained to expenditures incurred from March – June 2020.

In March 2021, the American Rescue Plan Act (ARPA) was passed into law. This bill awarded \$207,282,916 to Counties in Montana. Of these funds, the County was awarded \$326,214. The funds are to be spent by September 30, 2024. As of the date of this report, these funds have not been spent or received.

The County, like all Counties and other local governments in the United States is still dealing with the effects of the COVID-19 virus. Possible operational changes or even shutdowns may occur. Additionally, the financial effects to the County are equally as uncertain.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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Powder River County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

	General			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 953,302	\$ 953,302	\$ 976,563	\$ 23,261
Licenses and permits	1,300	1,300	1,626	326
Intergovernmental	323,275	323,275	693,256	369,981
Charges for services	138,300	138,300	153,504	15,204
Fines and forfeitures	40,000	40,000	34,490	(5,510)
Miscellaneous	176,050	176,050	44,610	(131,440)
Investment earnings	47,080	47,080	56,834	9,754
Amounts available for appropriation	\$ <u>1,679,307</u>	\$ <u>1,679,307</u>	\$ <u>1,960,883</u>	\$ <u>281,576</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 1,417,903	\$ 1,417,903	\$ 1,408,285	\$ 9,618
Public safety	624,258	624,258	628,136	(3,878)
Public works	168,354	168,354	162,906	5,448
Public health	98,842	98,842	123,177	(24,335)
Social and economic services	126,225	126,225	172,484	(46,259)
Culture and recreation	415,131	415,131	250,408	164,723
Miscellaneous	41,067	41,067	41,066	1
Capital outlay	265,700	265,700	119,597	146,103
Total charges to appropriations	\$ <u>3,157,480</u>	\$ <u>3,157,480</u>	\$ <u>2,906,059</u>	\$ <u>251,421</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,022,704	\$ 1,022,704	\$ 1,022,704	\$ -
Transfers out	-	-	1,500	1,500
Total other financing sources (uses)	\$ <u>1,022,704</u>	\$ <u>1,022,704</u>	\$ <u>1,024,204</u>	\$ <u>1,500</u>
Net change in fund balance			\$ <u>79,028</u>	
Fund balance - beginning of the year			\$ <u>1,483,029</u>	
Fund balance - end of the year			\$ <u><u>1,562,057</u></u>	

Powder River County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

	Road			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 824,842	\$ 824,842	\$ 823,064	\$ (1,778)
Intergovernmental	150,000	150,000	260,955	110,955
Charges for services	1,600	1,600	-	(1,600)
Miscellaneous	6,500	6,500	33,470	26,970
Investment earnings	600	600	30,089	29,489
Amounts available for appropriation	\$ 983,542	\$ 983,542	\$ 1,147,578	\$ 164,036
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	\$ 2,112,410	\$ 2,112,410	\$ 1,389,997	\$ 722,413
Debt service - principal	-	-	98,245	(98,245)
Debt service - interest	-	-	11,507	(11,507)
Capital outlay	149,000	149,000	89,500	59,500
Total charges to appropriations	\$ 2,261,410	\$ 2,261,410	\$ 1,589,249	\$ 672,161
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,003,707	\$ 1,003,707	\$ 1,003,707	\$ -
Total other financing sources (uses)	\$ 1,003,707	\$ 1,003,707	\$ 1,003,707	\$ -
Net change in fund balance			\$ 562,036	
Fund balance - beginning of the year			\$ 883,575	
Fund balance - end of the year			\$ 1,445,611	

Powder River County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures

	<u>General</u>	<u>Road</u>
Sources/Inflows of resources		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,960,883	\$ 1,147,578
Combined funds (GASBS 54) revenues	<u>4,663,712</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances- governmental funds.	\$ <u>6,624,595</u>	\$ <u>1,147,578</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ <u>2,906,059</u>	\$ <u>1,589,249</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ <u>2,906,059</u>	\$ <u>1,589,249</u>

Powder River County, Montana
Required Supplementary Information
Schedule of Changes in the Entity's Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>
Total OPEB liability		
Service Cost	\$ 24,775	\$ 24,775
Net change in total OPEB liability	24,775	24,775
Total OPEB Liability - beginning	181,549	-
Restatement	-	156,774
Total OPEB Liability - ending	\$ 206,324	\$ 181,549
Covered-employee payroll	\$ 3,153,795	\$ 3,153,795
 Total OPEB liability as a percentage of covered -employee payroll	 7%	 6%

**The above schedule is presented by combining the required schedules from GASB 75 paragraphs 170a and 170b. The GASB requires that 10 years of information related to the OPEB liability be presented, additional data will be reported as it becomes available.*

Powder River County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2020

	<u>PERS 2020</u>	<u>PERS 2019</u>	<u>PERS 2018</u>	<u>PERS 2017</u>	<u>PERS 2016</u>	<u>PERS 2015</u>
Employer's proportion of the net pension liability	0.180876%	0.183501%	0.253518%	0.251254%	0.251133%	0.225258%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 3,780,873	\$ 3,829,926	\$ 4,937,580	\$ 4,279,720	\$ 3,510,517	\$ 2,806,745
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 1,230,944	\$ 1,281,800	\$ 64,916	\$ 52,293	\$ 43,121	\$ 34,275
Total	<u>\$ 5,011,817</u>	<u>\$ 5,111,726</u>	<u>\$ 5,002,496</u>	<u>\$ 4,332,013</u>	<u>\$ 3,553,638</u>	<u>\$ 2,841,020</u>
Employer's covered payroll	\$ 2,984,431	\$ 3,019,856	\$ 3,145,530	\$ 3,009,580	\$ 2,930,772	\$ 2,562,789
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	126.69%	126.82%	156.97%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

	<u>SRS 2020</u>	<u>SRS 2019</u>	<u>SRS 2018</u>	<u>SRS 2017</u>	<u>SRS 2016</u>	<u>SRS 2015</u>
Employer's proportion of the net pension liability	0.2515%	0.2596%	0.2853%	0.2667%	0.2494%	0.2490%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 209,748	\$ 195,164	\$ 217,126	\$ 468,524	\$ 240,413	\$ 103,639
Total	<u>\$ 209,748</u>	<u>\$ 195,164</u>	<u>\$ 217,126</u>	<u>\$ 468,524</u>	<u>\$ 240,413</u>	<u>\$ 103,639</u>
Employer's covered payroll	\$ 201,906	\$ 201,436	\$ 213,482	\$ 188,269	\$ 169,701	\$ 161,054
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	103.88%	96.89%	101.71%	248.86%	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	81.89%	82.68%	81.30%	63.00%	75.40%	87.24%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Powder River County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2020

	PERS	PERS	PERS	PERS	PERS	PERS
	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 313,013	\$ 256,681	\$ 255,605	\$ 263,233	\$ 259,216	\$ 248,958
Contributions in relation to the contractually required contributions	\$ 313,013	\$ 256,681	\$ 255,605	\$ 263,233	\$ 259,216	\$ 248,959
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 3,569,133	\$ 2,984,431	\$ 3,019,856	\$ 3,145,530	\$ 3,009,580	\$ 2,930,772
Contributions as a percentage of covered payroll	8.77%	8.60%	8.46%	8.37%	8.61%	8.50%

	SRS	SRS	SRS	SRS	SRS	SRS
	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 27,841	\$ 26,590	\$ 26,913	\$ 21,594	\$ 19,513	\$ 17,214
Contributions in relation to the contractually required contributions	\$ 27,841	\$ 26,590	\$ 26,913	\$ 21,594	\$ 19,513	\$ 17,214
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 212,284	\$ 201,906	\$ 201,436	\$ 213,482	\$ 188,269	\$ 169,701
Contributions as a percentage of covered payroll	13.115%	13.17%	13.36%	10.12%	10.36%	10.14%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Powder River County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2020

Public Employees' Retirement System of Montana (PERS)

Changes of Benefit Terms

The following changes to the plan provision were made as identified:

2013 Legislative Changes

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013

- All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

Permanent Injunction Limits Application of the GABA Reduction – Passed under House Bill 454

Guaranteed Annual Benefit Adjustment (GABA) - for PERS

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013:
 - 1.5% each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes

General Revisions - House Bill 101, effective January 1, 2016

Second Retirement Benefit - for PERS

- Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
 - Refund of member's contributions from second employment, plus regular interest (currently 2.5%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and
 - GABA starts again in the January immediately following second retirement.

Powder River County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2020

- For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
 - Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
 - GABA starts in the January after receiving recalculated benefit for 12 months.
- For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
 - Refund of member's contributions from second employment, plus regular interest (currently 2.5%);
 - No service credit for second employment
 - Start same benefit amount the month following termination; and,
 - GABA starts again in the January immediately following second retirement.
- For members who retire on or after January 1, 2016, return to PERS-covered employment, and accumulate five or more years of service credit before retiring again:
 - Member receives same retirement benefit as prior to return to service;
 - Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
 - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws - House Bill 107, effective July 1, 2015

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

The PCR was paid off effective March 2016, and the contributions of 2.37%, 0.47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014, based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.27%
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The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

General Wage Growth	4.00%
Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation

Powder River County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2020

The following actuarial assumptions are from the June 2010 Experience Study:

General Wage Growth	4.25%
Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

Sheriffs' Retirement System of Montana (SRS)

Changes of Benefit Terms

The following changes to the plan provision were made as identified:

2013 Legislative Changes

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. SRS working retirees may still work up to 480 hours a year, without returning to active service.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013

- All SRS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to SRS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

2015 Legislative Changes

There were no legislative changes with regards to SRS in 2015.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following change to the actuarial assumptions was adopted in 2015:

SRS Discount Rate – Used to measure the TPL	6.86%, which is a blend of the assumed long-term expected rate of return of 7.75% on System's investments and a municipal bond index rate of 3.80%
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Powder River County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2020

The following addition to the actuarial assumptions was adopted in 2014 based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.17%
SRS Discount Rate – Used to measure the TPL	7.75%, which is the assumed long-term expected rate of return on System's investments

The following change to the actuarial assumptions was adopted in 2013:

SRS Discount Rate – Used to measure the TPL	6.68%, which is a blend of the assumed long-term expected rate of return of 7.82% on System's investments and a municipal bond index rate of 4.27%
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The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

General Wage Growth	4.00%
Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation

The following actuarial assumptions are from the June 2010 Experience Study:

General Wage Growth	4.25%
Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of County Commissioners
Powder River County
Broadus, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Powder River County, Montana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Powder River County's basic financial statements and have issued our report thereon dated June 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Powder River County, Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Powder River County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Powder River County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Powder River County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Denning, Downey and Associates, CPA's, P.C.

June 11, 2021

Denning, Downey & Associates, P.C.
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REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of County Commissioners
Powder River County
Broadus, Montana

The prior audit report contained one recommendation. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
2019-001 STIP Interest Earnings	Implemented

Denning, Downey and Associates, CPA's, P.C.

June 11, 2021

